

**DIXIE WORKSHOPS, INC.  
(NONPROFIT ORGANIZATION)**

**AUDITED FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION  
AND COMPLIANCE REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Dixie Workshops, Inc.  
St. George, Utah

We have audited the accompanying statement of financial position of Dixie Workshops, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities; functional expenses; and cash flows for the year then ended. These financial statements are the responsibility of Dixie Workshops' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Workshops, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2006, on our consideration of Dixie Workshops' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

HAFEN, BUCKNER, EVERETT & GRAFF, PC  
December 20, 2006

# DIXIE WORKSHOPS, INC.

## Statement of Financial Position

June 30, 2006

### ASSETS

#### Current Assets:

Cash	\$	6,422
Receivables (Note 3)		40,044
Other Assets		48
Total Current Assets		<u>46,514</u>

#### Fixed Assets:

Vehicles		187,153
Furniture, Fixtures & Equipment		20,089
Less: Accumulated Depreciation		<u>(194,062)</u>
Total Fixed Assets		<u>13,180</u>

#### TOTAL ASSETS

\$ 59,694

### LIABILITIES & NET ASSETS

#### Current Liabilities:

Accounts Payable	\$	12,177
Current Portion of Long-Term Debt		<u>15,574</u>
Total Current Liabilities		<u>27,751</u>

#### Long-Term Debt

18,523

#### Total Liabilities

46,274

#### Net Assets:

##### Unrestricted Net Assets:

##### Operations:

Undesignated		34,337
Fixed Assets		<u>(20,917)</u>
Total Unrestricted Net Assets		<u>13,420</u>

#### TOTAL LIABILITIES & NET ASSETS

\$ 59,694

**DIXIE WORKSHOPS, INC.**

Statement of Activities  
For the Year Ended June 30, 2006

	<u>Operations</u>	<u>Unrestricted Fixed Assets</u>	<u>Total</u>
<b>PUBLIC SUPPORT &amp; REVENUE:</b>			
<b>Public Support:</b>			
State Division of Services for People with Disabilities Program	\$ 482,989	\$ -	\$ 482,989
State Division of Rehabilitation Services Program	4,738	-	4,738
<b>Total Public Support</b>	<b>487,727</b>	<b>-</b>	<b>487,727</b>
<b>Revenue:</b>			
Local Services	43,756	-	43,756
Gain on Sale of Fixed Assets	-	-	-
<b>Total Public Support &amp; Revenues</b>	<b>531,483</b>	<b>-</b>	<b>531,483</b>
<b>FUNCTIONAL EXPENSES:</b>			
Program Services	396,281	9,581	405,862
Administration	122,134	6,689	128,823
<b>Total Functional Expenses</b>	<b>518,415</b>	<b>16,270</b>	<b>534,685</b>
<b>Change in net assets</b>	<b>13,068</b>	<b>(16,270)</b>	<b>(3,202)</b>
Property & Equipment Acquisitions & Transfers From Current Funds	(15,691)	15,691	-
Net assets, beginning of year	36,960	(20,338)	16,622
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 34,337</b>	<b>\$ (20,917)</b>	<b>\$ 13,420</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**DIXIE WORKSHOPS, INC.**

## Statement of Functional Expenses

For the Year Ended June 30, 2006

	<u>Program Services</u>			<u>Total</u>
	<u>Supported</u>	<u>Day</u>	<u>Administrative</u>	<u>Expenses</u>
	<u>Employment</u>	<u>Treatment</u>		
<b>Payroll:</b>				
Salaries	\$ 97,719	\$ 83,242	\$ 77,733	\$ 258,694
Fringe	17,144	14,605	18,896	50,645
Total Payroll	114,863	97,847	96,629	309,339
<b>Other:</b>				
Professional Services	1,868	1,563	380	3,811
Dues & Subscriptions	465	397	-	862
Client Payments	22,893	-	-	22,893
Interest Expense	1,834	1,562	-	3,396
Liability Insurance	-	-	5,056	5,056
Licenses & Permits	794	677	-	1,471
Miscellaneous	1,931	1,615	394	3,940
Occupancy	26,240	21,956	5,355	53,551
Program Supplies	12,079	10,289	-	22,368
Supplies	1,021	854	208	2,083
Repairs & Maintenance	1,107	927	226	2,260
Communications	7,281	6,092	1,486	14,859
Transportation	32,735	27,391	6,681	66,807
Travel & Training	-	-	5,719	5,719
Total Expenses Before Depreciation	225,111	171,170	122,134	518,415
Depreciation	5,182	4,399	6,689	16,270
<b>Total Expenses</b>	<u>\$ 230,293</u>	<u>\$ 175,569</u>	<u>\$ 128,823</u>	<u>\$ 534,685</u>

The Accompanying Notes are an Integral  
Part of These Financial Statements

# **DIXIE WORKSHOPS, INC.**

## **Statement of Cash Flows For the Year Ended June 30, 2006**

### **Cash Flows from Operating Activities:**

Cash from State Programs	\$ 491,776
Cash Received for Local Services	43,756
Cash Paid for Operating Expenses	(184,862)
Cash Paid to Employees and Clients	<u>(332,232)</u>

Net Cash Provided from Operations 18,438

518,415

### **Cash Flows from Investing Activities:**

Cash Received for Sale of Fixed Assets	<u>-</u>
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### **Cash Flows from Financing Activities:**

Proceeds from Long-Term Debt	-
Payments on Long-Term Debt	<u>(15,692)</u>

Net Cash Provided from Operations (15,692)

Increase/(Decrease) in Cash 2,746

Cash at Beginning of Period 3,676

Cash at End of Period \$ 6,422

**DIXIE WORKSHOPS, INC.**  
Statement of Cash Flows (Continued)  
For the Year Ended June 30, 2006

**RECONCILIATION OF CHANGES IN NET ASSETS TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in net assets	\$ (3,202)
<b>Adjustments to Reconcile Net Change in Net Assets to Net Cash Provided by Operating Activities:</b>	
Depreciation	16,270
Loss on Disposal of Fixed Assets	-
<b>Changes in Operating Assets and Liabilities</b>	
Decrease in Receivables	4,049
Increase in Accounts Payable	3,966
Decrease in Line of Credit	<u>(2,645)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 18,438</u></u>

**SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest	<u><u>\$ 3,396</u></u>
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**DIXIE WORKSHOPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**A. Background**

Dixie Workshops, Inc. was incorporated under the laws of the state of Utah as a nonprofit organization. Dixie Workshops, Inc. provides services for people with disabilities who are citizens of Washington County, Utah.

**B. General**

The accompanying financial statements of the Dixie Workshops, Inc. have been prepared in accordance with generally accepted accounting principles which require the use of management estimates and the accrual basis of accounting. Contributions are recorded when received unless susceptible to accrual.

**C. Basis of Presentation**

Dixie Workshops, Inc. has adopted Statement of the Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*." Under SFAS No. 117, Dixie Workshops, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**D. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**E. Description of Programs**

**Day Treatment:**

This program provides meaningful daily experience to adult handicapped through community experiences, and/or facility-based programs. The program includes transportation to and from residential setting, necessary supplies, supervision, assessment, evaluation, tools and time. The program is reimbursed by the Utah State Division of Services for People with Disabilities (DSPD) according to units of services rendered. Rate of reimbursement is determined by DSPD and monitored by a case worker. Local revenues are used as wages for handicapped trainees.

**DIXIE WORKSHOPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Supported Employment:

This program provides training and maintenance of handicapped adults in a community employment situation. Services include transportation, job coaching, assessment, evaluation, tools and time. The program is reimbursed by DSPD according to units of services rendered. Rate of reimbursement is determined by DSPD and monitored by a case worker. Local revenues are used as wages to pay handicapped workers where the individual isn't directly employed by participating business.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

**F. Contributions**

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**G. Income Taxes**

No provision has been made for Federal income taxes because Dixie Workshops, Inc. is exempt from Federal income tax as an education organization that was organized under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2006.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments.

All funds are deposited into one consolidated checking account which is insured by FDIC up to \$100,000. On June 30, 2006, Dixie Workshops' bank balance was \$12,418.

**DIXIE WORKSHOPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 3: RECEIVABLES**

Receivables at June 30, 2006, are deemed to be fully collectible by management and consisted of amounts receivable from State of Utah Division of Services for People with Disabilities of \$ 40,044.

**NOTE 4: FIXED ASSETS**

Expenditures for fixed assets are carried at cost. Donated assets are recorded at their estimated fair market values at the date of donation. All expenditures for fixed assets in excess of \$500 are capitalized. Depreciation of fixed assets is calculated on the straight line basis over the asset's useful life.

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation for the year ended June 30, 2006 was \$16,271.

**NOTE 5: LONG TERM DEBT**

Long-term debt at June 30, 2006 consisted of the following:

Note payable to Wells Fargo Bank in monthly installments of \$376.76 including interest of 7.99% due September 2007, secured by a 2001 Chevrolet Express Van.	\$ 5,782
Note payable to Wells Fargo Bank in monthly installments of \$410.00 including interest of 5.2% due July 2008, secured by a 2000 Ford Lariat Truck.	11,185
Note payable to Wells Fargo Bank in monthly installments of \$261.02 including interest of 7.99% due April 2011, secured by a 2003 Chevrolet Venture Van.	12,536
Note payable to Wells Fargo Bank in monthly installments of \$389.16 including interest of 8.49% due June 2007, secured by a 2000 Chevrolet Express Van.	<u>4,594</u>
Total	34,097
Less Current Portion	<u>(15,574)</u>
Total Long-Term Debt	<u><u>\$ 18,523</u></u>

**DIXIE WORKSHOPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 5: LONG TERM DEBT (Continued)**

Maturities of long-term debt are as follows:

<u>Year Ending</u>	<u>Amount Due</u>
6/30/2007	\$ 15,574
6/30/2008	8,695
6/30/2009	4,491
6/30/2010	2,808
6/30/2011	<u>2,529</u>
Total Long-Term Debt	<u>\$ 34,097</u>

**NOTE 6: CONCENTRATION OF SERVICE REVENUE**

Nearly all of Dixie Workshops' support is provided through a contract obtained with the Utah Division of Services for People with Disabilities. Loss of this support would have a materially adverse effect on Dixie Workshops, Inc. ability to continue operations. The current contract terminates on June 30, 2006 and is expected to be renewed.

**NOTE 7: COMMITMENTS**

Dixie Workshops, Inc. entered into a noncancellable operating lease for a building. Rental expense under operating lease agreements was \$35,730 for the year ended June 30, 2006. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2006 are as follows:

<u>Year Ending June 30</u>	
2007	\$ 37,800
2008	37,800
2009	37,800
2010	34,650

SUPPLEMENTARY  
INFORMATION  
AND  
COMPLIANCE  
REPORTS

**DIXIE WORKSHOPS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**I. SUMMARY OF AUDITORS' RESULTS**

- A. Type of audit report issued on the financial statements: Unqualified opinion.
- B. Reportable conditions in internal control disclosed by the audit: None.
- C. Instances of noncompliance material to the financial statements: None.
- D. Reportable conditions in internal control over major programs disclosed by the audit: None
- E. Type of report issued on compliance for major programs: Unqualified opinion.
- F. Audit findings required to be reported under paragraph .510(a): None.
- G. Major Programs:

<u>Program</u>	<u>CFDA</u>	<u>Amount</u>
Title XIX Home & Community Based Waiver	93.714	\$ 319,504

- H. Dollar threshold used to distinguish between Type A and B programs, as described in paragraph .520(b): \$300,000.
- I. Dixie Workshops, Inc. did not qualify as a low-risk auditee under paragraph .530 as this is its first audit..

**II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS***  
Finding: None

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AS DEFINED IN PARAGRAPH 510(A)**

<u>FINDING</u>	<u>QUESTIONED COSTS</u>
None	None



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Dixie Workshops, Inc.

We have audited the financial statements of Dixie Workshops, Inc. (a Nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated December 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Dixie Workshops' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dixie Workshops' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and the state of Utah and is not intended to be and should not be used by anyone other than these specified parties.

*Hafen, Buckner, Everett & Graff PC*

HAFEN, BUCKNER, EVERETT & GRAFF, PC  
December 20, 2006





**AUDITORS' REPORT ON STATE LEGAL COMPLIANCE**

BOARD OF DIRECTORS  
DIXIE WORKSHOPS, INC.

We have audited the financial statements of Dixie Workshops, Inc. a nonprofit corporation, for the year ended June 30, 2006 and have issued our report thereon dated December 20, 2006. As part of our audit, we have audited Dixie Workshop's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. Dixie Workshops, Inc. received the following major assistance program from the State of Utah: Title XIX Home & Community Based Waiver (Division of Services for People with Disabilities).

Dixie Workshops, Inc. also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Dixie Workshop's financial statements.) Specialized Rehabilitative Services (Division of Rehabilitation Services).

The management of Dixie Workshop, Inc. is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Dixie Workshop's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Dixie Workshops, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2006.

*Hafen, Buckner, Everett & Graff PC*

HAFEN, BUCKNER, EVERETT & GRAFF, PC  
December 20, 2006